A Study of Customer Relationship Management (CRM) Practices in the Insurance Sector in Maharashtra State

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ABSTRACT

The life insurance service sector in India is bereft with problems. With the investor public becoming wiser in terms of return on investment, the management of the life insurance companies has done some soul searching with respect to customer satisfaction. Only a satisfied customer can be converted to the happy customer and a happy customer can be retained. Therefore, the management needs to formulate marketing strategies in a way to not only acquire new customers but also retain them for the lifetime. Customer Relationship Management has emerged as a popular business strategy in today's competitive environment. It is a discipline, which enables the Insurance sector to identify and target their most profitable customers. It has been invented as a unique technique capable of remarkable changes in the total output of companies. Services are then provided in a timely manner using the channels that are preferred by the customers. Effective Customer Relationship Management focuses on the development of business strategies and aligns an organization to serve customers.

A] INTRODUCTION

Peter F. Drucker the great management guru defined the modern concept of business as "To create customers". This is perhaps the shortest definition of a modern business or the changing concept of business but definitely not the simplest of definitions, for the phrase, to create customers, though sounds simple but has great implications. Here the customer is not the buyer who is one of the two parties in the sales transaction as a 'One-off' case but a person whose loyalty towards the organization has to be ensured. Peter F. Drucker has also quoted that "There are only two functions which generate revenue. These are marketing and innovation rest are all costs". We are in the age where business organizations are convinced that they have to innovate or perish. Therefore innovations can be seen in all the areas of organizational functions and more prominently in the field of marketing wherein marketing has taken a 'customer–centric' approach. Hence, marketing is now oriented towards the strong and lasting relationship with individual customers. The strategy and process of acquiring, retaining and developing the close profitable relationship are called Customer Relationship Management (CRM).

REVIEW OF LITERATURE

This section deals with the gist of the available literature related to CRM or Relationship Management in Insurance services or service sector written by both national and international authors and published in research journals, magazines, white papers etc.

1. **Lawrence W. Borgen (2001)** in his published article titled "Focus on Customers" focuses on the problem of insurers in terms of their inability to translate their promises regarding customer satisfaction into realities. The study reveals that a majority of insurers are not aware of what their customers really want, and those who are aware are unable to deliver the goods due to several organizational constraints. The structure of the organization and the way it does business can be cited as organizational constraints. The article suggests that insurance providers need to abandon their functional structures and reorganize into a 'customer-centric' structure and shift their focus on to the customers.

2. **S Pawan Kumar and Saurabh Swarup (2001)** in their white paper titled "Business Intelligence and Insurance: Application of business intelligence tools like data warehousing, OLAP, and data mining in insurance" describe the crucial role Business Intelligence (BI) tools like data warehousing, OLAP, and data mining play in the insurance industry. BI tools

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provide crucial information to the corporate clients, which can bond the insurer's relations with the clients. The article addresses several issues related to BI and CRM. Insurance value chain, CRM process, Channel management are a few of them. It suggests that to effectively interact with customers and design the right products, the CRM strategy adopted by the insurers should utilize the potential of technology to the maximum extent.

3. **Sally Praskey (2001)** in the research article titled "Can Customer Relationship Management (CRM) Put the Focus Directly on the Policyholder?" highlights the benefits of adopting CRM strategies such as acquiring new customers and at the same time retaining the older ones. CRM facilitates capturing, consolidating, integrating and analyzing customer data. Implementing CRM strategies can offset the lack of coordination among the various departments and people in the insurance industry. The article explains that unlike retail industry wherein there is a continuous interaction between the customer and the retailer, the number of contacts between the insurer and the insured are just one or two annually. This poses a major challenge for the insurer in terms of creating a positive perception at the first meeting itself.

4. **Simon Drimer (2001)** in his published research article titled "Insurers Need to Try Harder with Existing Customer Base" has advocated the shift in the focus from the product to the customer. The author has identified revenues and costs as the drivers for customer profitability. The article elaborates on the relationship duration, which is found to be unintentionally discouraged in the insurance sector. The longer relationship allows the insurance company to break even on the insurance policy. It also sets up a virtuous circle, which leads to customer loyalty, cheaper per customer servicing and lower marketing costs. It is also argued that the relationship duration driver is well understood and accommodated in insurance through the notion of product persistency.[34]

B] NEED AND IMPORTANCE OF THE STUDY

Customer Relationship Management (CRM) has become a globally recognized business practice and yet it is still loosely defined and rarely well defined. CRM means many different things to different people. It is possible to develop a greater understanding of it by looking at its origin and principles that drove its development. It was in 1990's that relationship marketing emerged when the true value of retention and the use of lifetime value as a business case were recognized. The present-day shows many practitioners in the CRM

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marketplace who understand the key concepts of CRM. However, the feedback from the clients and what we see in the marketplace paints a slightly different picture. In terms of what the future holds can be summarized as follows:

- Customer will play a significant role in managing the relationship

- Service model will continue to change

- The Web will create globalization

- Technology will consolidate

- Do we have what it needs to get there?

- Can end to end customer processes be developed?

- Is the best use of customer knowledge being made?

- Need to be proactive instead of reactive

- Recognize customer individuality

C] STATEMENT OF THE PROBLEM

In a market-driven economy, the consumer has occupied the central position. A large number of activities are directed towards attracting the customers. All industries are paying special attention towards customer relationship and have changed their mode of operation of dealing with their customers. Customer Relationship Management (CRM) gained recognition in the mid-1990's, primarily driven by its perception as Information Technology (IT). However not enough attention has been given to the fundamental drivers of CRM success: Strategy, metrics, and the organization. Hence this research study titled "**A Study of Customer Relationship Management Practices in Insurance Sector in Maharashtra State**", which strives to explain how successful CRM works and why it is important to give customer utmost importance. It establishes a relationship and explains how the customer is important for the Insurance Sector.

D] OBJECTIVES OF THE STUDY

1. 1. To study the existing CRM practices in insurance sector in Maharashtra

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2. To study how empowered are the employees of the organization to deliver superior service.

3. To perform the comparative study of Insurance sector

E] HYPOTHESIS OF THE STUDY

There is a significant difference in the customer centricity of the CRM processes implemented by different insurance companies

F] RESEARCH METHODOLOGY

In view of the objectives and hypotheses presented earlier the methodology adopted for the present study is elaborated as under:

Survey Method: The survey method was adopted in order to elicit relevant information pertaining to the CRM practices implemented in the Insurance sector. To begin with, a pilot survey was conducted to clarify and finalize the key issues. After the pilot survey, the selected Insurance Sectors were visited and responses were collected. A well designed comprehensive questionnaire was the research instrument that was self-administered. A separate survey of the customers was also conducted. Information from the customers of these was also obtained with the help of a well designed self-administered questionnaire.

F.1] SAMPLE DESIGN

This study pertains to the study of CRM practices in the Insurance Sector. The geographical scope of the study is the entire state of Maharashtra, the state was divided into following regions:

a) Metropolitan area of the state i.e. Mumbai city

b) Cosmopolitan area of the state i.e. Pune city

c) Marathwada area i.e. Aurangabad city

d) Vidarbha area i.e. Nagpur city

Using **Convenience Sampling Method**, five Insurance companies were selected for the study as shown in table 1.1 and using **Random Sampling Method** 250 customers from each

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selected company from all the five cities totaling to 1250 customers were selected for the study.

Table No. 1.1: Selection of Sample for Survey of Insurance companies

Category	Total No. of companies	No. of companies Selected (Sample Size)	No. of Regions (Cities)	Sample size
Insurance	24	5	5	25

Total Number of concerned persons surveyed: 25

Table No. 1.2: Selection of Sample for Survey of Customers

Category	No. of companies Selected (Sample Size)	No. of Customers Selected	No. of Regions (Cities)
Insurance	5	50	5

Total Number of Customers surveyed: 1250

F.2] VALIDITY OF SAMPLE

1. The customer rating scale reliability was tested during the pilot survey of 100 customers using SPSS version 16.0 software. The results are: Cronbach alpha value = 0.8436, Correlation between 1st half and 2nd = 0.7824, Split-half reliability = 0.8146

2. Similarly for the management rating scale reliability was tested during the pilot survey of 10 managers/officers. The results are: Cronbach alpha value = 0.8184, Correlation between 1st half and 2nd = 0.9216, Split-half reliability = 0.9531

From the above results, it can be seen that the Cronbach alpha value is greater than 0.70. Hence the primary statistical data is reliable and valid for further analysis.

G] RESULTS AND DISCUSSIONS (TESTING OF HYPOTHESIS)

Hypothesis: There is a significant difference in the customer centricity of the CRM processes implemented by different insurance companies.

To test this hypothesis, the one-way ANOVA test is applied and the results are presented in the following table.

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Table 1.3: Results of ANOVA test between customers life insurance companies (ICICI, Bajaj Allianz, Reliance Life, LIC and Tata AIG) with respect to their customer centricity scores.

Source of variation	Degrees of freedom	Sum of squares	Mean sum of squares	F-value	P-value
Between life insurances	4	36479.68	9119.920	136.7459	0.0000*
Within life insurances	1245	83032.10	66.692		
Total	1249	119511.78			

*p<0.05

From the results of the above table, it can be seen that the customer's life insurance companies (ICICI, Bajaj Allianz, Reliance Life, LIC and Tata AIG) differ statistically with respect to their customer centricity scores (F=136.7459, p<0.05) at 5% level of significance.

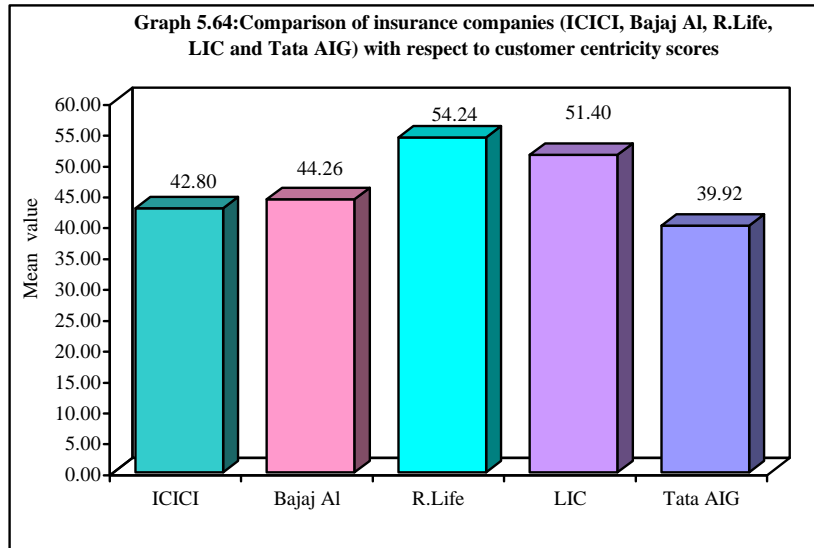Hence, the set hypothesis is accepted.

Hence it is concluded that the CRM practices are different on ICICI, Bajaj Allianz, Reliance Life, LIC and TATA AIG.

Table 1.4: Pairwise Comparison of different Life Insurance Companies (ICICI, Bajaj Allianz, Reliance Life, LIC and Tata AIG) with respect to Customer Centricity Scores by Tukey's multiple post hoc procedures

Life Insurance Companies.	ICICI Pru Life	Bajaj Allianz	Reliance Life	LIC	Tata AIG
Mean	42.8000	44.2600	54.2400	51.4000	39.9200
ICICI	1.0000				
Bajaj Al	0.2665	1.0000			
R. Life	0.0000*	0.0000*	1.0000		
LIC	0.0000*	0.0000*	0.0010*	1.0000	
Tata AIG	0.0008*	0.0000*	0.0000*	0.0000*	1.0000

*p<0.05

The mean scores are also presented in the following Graph.

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Graph 5.64:Comparison of insurance companies (ICICI, Bajaj Al, R.Life, LIC and Tata AIG) with respect to customer centricity scores

From the results of the above table, it can be seen that,

1. The customers of ICICI and Reliance Life Insurance differ with respect to their customer centricity scores at 5% level of significance. It means that the customers of Reliance Life Insurance have rated the processes of their company to be more customer centricity as compared to ICICI Life insurance.

2. The customers belong to ICICI and LIC differ significantly with respect to their customer centricity scores at 5% level of significance. It means that the customers of LIC have rated the processes of their company to be more customer centricity as compared to ICICI Life insurance.

3. The customers belong to ICICI and Tata AIG Life Insurance differ significantly with respect to their customer centricity scores at 5% level of significance. It means that the customers of ICICI Life Insurance have rated the processes of their company to be more customer centricity as compared to Tata AIG Life Insurance.

4. The customers belong to Bajaj Allianz and Reliance Life Insurance differ significantly with respect to their customer centricity scores at 5% level of significance. It means that the customers of Reliance Life Insurance have rated the processes of their company to be more customer centricity as compared to Bajaj Allianz Life Insurance.

5. The customers belong to Bajaj Allianz and LIC differ significantly with respect to their customer centricity scores at 5% level of significance. It means that the customers of LIC

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have rated the processes of their company to be more customer centricity as compared to Bajaj Allianz Life Insurance.

6. The customers belong to Bajaj Allianz and Tata AIG Life Insurance differ significantly with respect to their customer centricity scores at 5% level of significance. It means that the customers of Bajaj Allianz Life insurance have rated the processes of their company to be more customer centricity as compared to Tata AIG Life Insurance.

7. The customers belong to Reliance Life and LIC differ significantly with respect to their customer centricity scores at 5% level of significance. It means that the customers of Reliance Life Insurance have rated the processes of their company to be more customer centricity as compared to LIC.

8. The customers belong to Reliance Life and Tata AIG Life Insurance differ significantly with respect to their customer centricity scores at 5% level of significance. It means that the customers of Reliance Life Insurance have rated the processes of their company to be more customer centricity as compared to Tata AIG Life Insurance.

9. The customers belong to LIC and Tata AIG Life Insurance differ significantly with respect to their customer centricity scores at 5% level of significance. It means that the customers of LIC have rated the processes of their company to be more customer centricity as compared to Tata AIG Life Insurance.

It can be inferred from the above that the CRM processes of Reliance Life Insurance Company are most customer-centric compared to the other companies. LIC is rated as the second most customer-centric followed by Bajaj Allianz, ICICI Prudential Life, and Tata AIG Life Insurance.

H] CONCLUSION

The Insurance sector is technologically ahead in implementing certain CRM technologies this is obviously so because of the high market demand for the service in the state. On the whole, it may be concluded that the selected service sectors have taken rapid strides in applying and adopting of technology which is comparable to organizations in the developed countries.

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I] SCOPE FOR FURTHER RESEARCH

Customer Relationship Management (CRM) being a relatively new discipline provides ample scope for further research studies. Some of the aspects of CRM that can be investigated are as follows:

➢ Development of metrics for measurement of CRM success at all levels of an organization.

➢ Development of a scale to measure the depth of relationship, stages of relationship development and underlying dimensions of the business relationship.

➢ Identifying the ideal timing (stage of the relationship) for undertaking cross-selling and up-selling.

➢ Each stage of the customer lifecycle also provides the opportunity for research.

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